PART 1: BUCHAREST CONGRESS DECISIONS ON TERMINAL DUES

The new terminal dues system

The Bucharest Congress adopted a new terminal dues system consisting of a *target system* to replace the current industrialized country (IC) system and a *transitional system*, which replaces the current developing country (DC) system. Terminal dues rates in the target system are country-specific and tied to a percentage of the 20-gram domestic priority letter rate. This percentage will rise 2% per year from the current 60% to 68% by 2009. The cap will gradually increase by 13% from 2006 to 2009, and the floor rate will increase by 9% over the same period. (See rates in Part 3.) The only amendment to the Convergence Group proposals concerning the target system adopted at Bucharest was a proposal by Israel and Slovenia (proposal 20.25.6.Rev 1). As a result of this amendment, countries can receive the increased floor rates as long as these rates do not exceed 100% of the 20-gram domestic priority letter rate (versus 90% as proposed by the POC and CA).

The transitional system terminal dues rate will be a flat rate of 3.727 SDR[1] per kg, which represents a 9% increase over the current rate of 3.427 SDR per kg. The threshold for the revision mechanism was reduced from 150 tons to 100 tons, and the new per item and per kg rates for the revision mechanism were raised to the current IC floor: 0.147 SDR per item and 1.491 SDR per kg. ICs can now invoke the downward revision mechanism on any DC that invokes the mechanism first. As a result of the adoption of an amendment by Pakistan (proposal 20.26.2), DCs in the transitional system can invoke the downward revision mechanism on other DCs (without the limitation that applies to target system countries whereby ICs can only invoke the downward revision on a DC if the DC in the transitional system invokes it first).

Country Classification for Quality of Service Fund purposes

One of the more sensitive topics at Congress, particularly for developing countries, was the new United Nations Development Program (UNDP) classification of countries. The new UNDP classification of countries introduces a new category of developing countries, the Net Contributor Countries (NCCs).

In February 2004, the CA adopted the new UNDP classification of countries for the purposes of QSF payments and put forward a proposal to this effect for confirmation by Congress. According to the CA proposal, nearly 30 NCCs would remain in the transitional system, but would no longer receive full Quality of Service Fund payments. Congress confirmed the CA reclassification proposal and approved a proposal by Canada, France, the U.S. and several Caribbean countries under which this reclassification would be deferred for NCCs that received less than $65,000 in QSF funds for the year 2002. The new classification system and the Congress decisions on the Quality of Service Fund contributions are described below.

[1] $5.60 at the current (Nov. 11, 2004) exchange rate of 1 Special Drawing Right (SDR) = $1.50

New UNDP classification system

The UNDP has defined three categories of countries and territories as the basis for distributing development assistance: low-income countries, middle-income countries, and Net Contributor Countries (NCCs). The low-income and middle-income categories are eligible for developmental assistance resources and are together referred to as TRAC 1 countries (**T**arget for **R**esources **A**ssignment from the **C**ore)**.** NCCs are not eligible for financial resources although they may participate in UNDP programs, including UNDP postal projects, for which they must, however, pay from their own resources. The UNDP uses Gross National Income (GNI) per capita as the main differentiator between the three categories, as shown in the following table:

Category	*GNI per capita*
Low-income	Less than or equal to $900
Middle-income	From $901 to $4,700
Net Contributor (NCC)	Higher than $4,700

The current UNDP classification is based on 2001 World Bank data and is valid for the period 2004 to 2007. Transitional arrangements are built into the UNDP system. If a country's status changes and it appears in the NCC list for the first time, it will benefit from a four-year grace period, during which it will continue to receive TRAC 1 resources, but in reduced amounts. If, after that period, the country or territory remains above the $4,700 USD threshold, it ceases to be eligible for TRAC 1 resources.

Industrialized countries are not classified by the UNDP, so no UNDP list of such countries exists. The list of Least Developed Countries (LDCs) is established by the UN Economic and Social Council (ECOSOC) every three years and is used by many organizations, including the UNDP (See Annex 2 for the current list of LDCs).

Congress decisions on country classification and the Quality of Service Fund

As a result of Congress decisions, QSF contributions will be as follows:

- All countries except LDCs pay *16.5%* of the terminal dues rate of 3.727 SDR to LDCs.
- ICs pay *8%* of the terminal dues rate of 3.727 SDR to countries and territories classified by UNDP as "TRAC 1" countries *as well as* to NCCs that received *less* than $65,000 USD in QSF funds for the year 2002.
- ICs pay *1%* of the terminal dues rate of 3.727 SDR to the other NCCs that received *more* than $65,000 in QSF funds for the year 2002.

The table below shows the NCCS that are expected to receive 8% and 1% QSF contributions. Please note that these are estimates based on 2001 data. The deadline to submit 2002 QSF account data is April 2005, after which time the precise countries in the two categories will be determined.

NCCs likely to receive 8% QSF contribution	*NCCs likely to receive 1% QSF contribution*
1. Anguilla	1. Bermuda
2. Antigua and Barbuda	2. Cyprus
3. Bahamas	3. Czech Republic
4. Bahrain	4. Hong Kong, China
5. Barbados	5. Korea (Rep.)
6. British Virgin Islands	6. Malta
7. Cayman Islands	7. Saudi Arabia
8. Brunei Darussalam	8. Singapore
9. Kuwait	9. Slovenia
10. Libyan Arab Jamahiriya	10. United Arab Emirates
11. Macao, China	
12. Netherlands Antilles and Aruba	
13. Oman	
14. Qatar	
15. St. Kitts and Nevis	
16. Seychelles	
17. Turks and Caicos	

PART 2: LEAST DEVELOPED COUNTRIES (LDCS) AS OF DECEMBER 2003

1. Afghanistan
2. Angola
3. Bangladesh
4. Benin
5. Bhutan
6. Burkina Faso
7. Burundi
8. Cambodia
9. Cape Verde
10. Central African Republic
11. Chad
12. Comoros
13. Democratic Republic of Congo
14. Djibouti
15. Equatorial Guinea
16. Eritrea
17. Ethiopia
18. Gambia
19. Guinea
20. Guinea-Bissau
21. Haiti
22. Kiribati
23. Lao People's Democratic Republic
24. Lesotho
25. Liberia
26. Madagascar
27. Malawi
28. Maldives
29. Mali
30. Mauritania
31. Mozambique
32. Myanmar
33. Nepal
34. Niger
35. Rwanda
36. Samoa
37. Sao Tome and Principe
38. Senegal
39. Sierra Leone
40. Solomon Islands
41. Somalia
42. Sudan
43. Timor-Leste
44. Togo
45. Tuvalu
46. Uganda
47. United Republic of Tanzania
48. Vanuatu
49. Yemen
50. Zambia

PART 3: TARGET SYSTEM TERMINAL DUES RATES EFFECTIVE 2006 TO 2009

1. Basic terminal dues rates

The rates per item and per kg shall be calculated on the basis of a percentage of the charge for a 20-gram priority letter in the domestic service, as indicated in the table below.

Year	*Percentage of domestic rate*
2006	62%
2007	64%
2008	66%
2009	68%

2. Cap Rates

The rates applied may not be higher than those in the table below.

Year	*Rate*
2006	0.226 SDR per item and 1.768 SDR per kg
2007	0.231 SDR per item and 1.812 SDR per kg
2008	0.237 SDR per item and 1.858 SDR per kg
2009	0.243 SDR per item and 1.904 SDR per kg

3. Floor Rates

For the period from 2006 to 2009, the rates may not be lower than 0.147 SDR per item and 1.491 SDR per kg. Provided that the increased rates do not exceed *100%* of the charge for a 20-gram priority letter in the domestic service of the country concerned, the minimum rates shall be increased as indicated in the table below.

Year	*Rate*
2006	0.151 SDR per item and 1.536 SDR per kg
2007	0.154 SDR per item and 1.566 SDR per kg
2008	0.158 SDR per item and 1.598 SDR per kg
2009	0.161 SDR per item and 1.630 SDR per kg

4. M-bags

The rate to be applied for M-bags is 0.793 SDR per kg.

5. Registered items

An additional payment of 0.5 SDR per item will apply to registered items.

6. Insured items

An additional payment of 1 SDR per item will apply to insured items.

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